# Compensation and Working Conditions Online

U.S. Department of Labor | Bureau of Labor Statistics

# Comparing the Retirement Savings of the Baby Boomers and Other Cohorts

by **Sharon A. DeVaney** and **Sophia T. Chiremba**

**Originally Posted:** January 24, 2005
**Revision Posted:** March 16, 2005

*This study compares the retirement savings behavior of four different age cohorts and finds that Older Baby Boomers (born from 1946 to 1954) are somewhat more likely than the other cohorts to hold a retirement account. It also finds that households in the Swing cohort (1928 to 1945) hold the largest amount of retirement savings, followed by, in order, households in the Older Boomers, Younger Boomers (1955 to 1964), and Generations X and Y (1965 to 1987) cohorts.*

## Introduction and Purpose

The baby boomers are nearing retirement or, in some cases, already have retired.[1] The baby boom cohort, which consists of persons born between 1946 and 1964, has presented challenges for the U.S. economy since its inception.[2] First, in the 1950s and early 1960s, more schools were needed to accommodate large numbers of baby boomer students. Later, in the late 1960s and early 1970s, as many boomers reached young adulthood, they contributed to housing shortages and increased competition for jobs. Now, as the baby boomers begin to retire, the next challenge is having enough resources for them to live comfortably during their retirement.

Opinions vary about the economic well-being of the baby boomers and how they will fare in their retirement. Scott A. Bass, for example, argues that most baby boomers are healthier, better educated, and wealthier than previous generations.[3] At the same time, however, in a national study of bankruptcy conducted in 1991, Teresa A. Sullivan and her coauthors showed that half of the individuals who filed for bankruptcy protection were baby boomers.[4] In another study, Sophie M. Korczyk noted that 8 in 10 baby boomers expect to work, at least part time, after they "retire," but only a third expect to scale back their lifestyle during their retirement years.[5] These conflicting observations motivated this comparison of the retirement savings behavior of baby boomers with that of other cohorts.

Two theories--the life-cycle savings hypothesis[6] and the theory of planned behavior[7]--provide a framework for examining retirement savings behavior. The life-cycle savings hypothesis assumes that a household attempts to maintain a consistent level of consumption over the lifetime of its members. To do so, many households borrow when its members are younger and their earnings are lower, and then save in anticipation of retirement when its members

are in midlife and their earnings are higher. Most households reduce their savings during retirement.

The theory of planned behavior suggests that individuals are more likely to behave in a manner consistent with their intentions when they have control over the factors involved. The theory is a modification of the theory of reasoned action, which assumes that individuals form attitudes based on subjective norms. The attitudes, subjective norms, and perceived control held by a person influence how likely that person is to perform a particular behavior. Karl-Erik Warneryd argues that previous experience with savings behavior should be considered when the theory of planned behavior is applied to savings behavior.[8] In other words, if an individual has been involved in savings behavior--such as buying a home or making regular allocations to a savings account or retirement plan--he or she will be more likely to save.

Based on these theories, the empirical model for this study is as follows: Retirement savings behavior is a function of attitude, subjective norms, perceived control, and past experience. Retirement savings behavior is measured by (a) whether or not the household has a retirement account, and (b) the amount of retirement savings.

## Background for the Study

Retirement income traditionally has been viewed as a "three-legged stool" consisting of Social Security, employer pensions, and private savings. Many believe that the legs have weakened in recent years, however, and that retirees will increasingly require a fourth leg, earnings, to supplement their income during retirement. When workers were asked in the 1995 Retirement Confidence Survey which source of retirement income would be most important to them, they responded as follows: 27.5 percent said "personal savings and investments," 26.1 percent said "employer pensions" (such as a defined benefit plan), 24.7 percent said "my own contribution to a plan at work" (such as a defined contribution plan), 15.1 percent said "Social Security," and 6.6 percent had other responses.[9] Older respondents were significantly more likely to answer that their most important source of retirement income would be either a defined benefit pension or Social Security benefits, while younger respondents were significantly more likely to answer that it would be either a defined contribution plan or their personal savings and investment.

Previous research has shown that age, education, income, and risk tolerance are positively related to retirement savings behavior.[10] Older individuals, persons who have more education, those with more income, and those who have increased tolerance for risk, are likely to hold larger amounts of retirement savings. Individuals who are married and those who are white are likely to have more retirement savings than unmarried persons and members of nonwhite ethnic or racial groups. Some gender differences exist as well: According to the 1996 Retirement Confidence survey, men were more likely than women to feel in control of accumulating money for retirement (42 percent compared with 28 percent).[11] Also, men were more likely than women to calculate the amount of money needed for retirement (39 percent compared with 25 percent).

According to the Employee Benefit Research Institute (EBRI), the most likely participant in a

pension plan is white, a male, high-earning, aged 45 to 54, and working for a public sector employer.[12] When pension plan participants were grouped by psychological characteristics, the "successful planners," who represented 21 percent of workers in the study, participated in voluntary retirement plans at much higher rates than the "live-for-today" workers, who represented 14 percent of workers. The psychological characteristics may result partly from being in a cohort.

A cohort is a group of people who share similar experiences and events. As a result, the members of a particular cohort are likely to share certain attitudes and consumer behavior.[13] In this study, the following cohorts are examined (with the range of years in which cohort members were born shown in parentheses): the Swing cohort (1928-45), older Baby Boomers (1946-54),[14] younger Baby Boomers (1955-64), and Generations X and Y (1965-87). The Swing cohort is sometimes known as the "silent generation." Members of this cohort came of age after World War II, and many were parents of baby boomers. They are often thought to be more frugal and adaptive than other cohorts.[15] Older baby boomers are sometimes described as being idealistic and individualistic, while younger baby boomers have been described as emphasizing personal fulfillment.[16] Members of Generation X are sometimes viewed as being skeptical consumers, while members of Generation Y have been described as having grown up with modern technology, especially computers.[17] (See table 1.)

**Hypotheses**

Based on the theory of life-cycle savings and previous research on savings behavior, the following hypothesis was developed for this study:

- H1: Households whose heads are older (such as the Swing cohort and the Older Boomers) will be more likely to hold retirement accounts and to have larger amounts saved for retirement than households with younger heads.

Based on the theory of planned behavior and previous research on savings behavior, the following hypotheses also were developed:

- H2: Heads of households with a greater tolerance for risk, who save regularly, and those who have a longer planning horizon will be more likely to hold retirement accounts and to have larger amounts saved for retirement.

- H3: Households whose heads have more education and that have greater household income will be more likely to hold retirement accounts and to have larger amounts saved for retirement than households whose heads have less education and households with less income.

- H4: Households with children and those with self-employed heads will be less likely than households without children and those without self-employed heads to hold retirement accounts and will have smaller amounts saved for retirement.

- H5: Households that spend less than their income will be more likely to hold retirement

accounts and to have larger amounts saved for retirement than households that spend the same as or more than their income.

- H6: Households in which the heads are homeowners and those that have larger amounts of assets--both financial and nonfinancial--will be more likely to hold retirement accounts and to have larger amounts saved for retirement than renters or those with smaller amounts of financial and nonfinancial assets.

## Data and Sample

The data used in this study were drawn from the 2001 Survey of Consumer Finances (SCF), which was sponsored by the Federal Reserve Board of Governors and conducted by the National Organization for Research (NORC) at the University of Chicago.[18] The 2001 SCF was collected using computer-assisted personal interviewing. The SCF was based on a dual-frame sample design. One set of the survey cases was selected from a standard multistage area-probability design. The other set of the survey cases (the high-income sample) was selected as a list sample from statistical records derived from tax data by the Statistics of Income Division of the Internal Revenue Service.

The sample for the study consists of households in which either the head of household or the spouse was not retired and was less than or equal to 70 years of age. The study does not include anyone who might have been turning 70½ or those who already had retired because they may have begun to withdraw funds from their retirement savings accounts. These criteria for inclusion reflect the assumption that if a respondent or spouse is still working, they are more likely to be saving for retirement. Also, individuals must begin to withdraw from qualified retirement plans on April 1 of the year in which they turn 70½ years old or when they retire, whichever comes later. These criteria reduce the sample size from 4,442 households to 3,428 households. A weight variable was used to provide descriptive statistics that are representative of the entire U.S. population.

## Measurement of Variables

**_Dependent variables_**. There are two dependent variables: whether or not the head of household or spouse holds one or more retirement accounts (1 = yes, 0 = no), and the total amount in the retirement accounts held by the household. Retirement accounts are defined by the 2001 SCF to include thrift accounts (defined contribution plans), future pensions (defined benefit plans), Individual Retirement Accounts (IRAs), and Keogh accounts.

Holding at least one retirement account is examined using logistic regression.[19] Logistic regression is an appropriate method when the dependent variable is dichotomous. The total amount held in the household retirement accounts is examined using tobit regression.[20] Tobit regression is the appropriate method when the dependent variable is equal to zero for some proportion of the observations, but their corresponding predictor variables are known.

**_Independent variables_**. The groups of independent variables include attitude, subjective norms, perceived control, and past experience. Attitude is measured by risk tolerance in

making saving and investment decisions, being a saver, and planning horizon. In the SCF, risk tolerance was measured by the question, "Which of the following statements comes closest to the amount of financial risk that you are willing to take when you save or make investments?" The responses were "take substantial financial risks," "take above average financial risks," "take average financial risks," and "not willing to take any financial risk." Each response was coded as a dichotomous variable and the response "not willing to take any financial risk" was used as the reference category.

Being a saver was defined as having at least one positive response to the question, "Which of the following statements comes closest to describing you and your spouse's (or partner's) saving habits?" The possible responses were "save regularly by putting money aside each month," "spend regular income and save other income," "save income of one family member and spend the other," "save whatever is left over at the end of the month," or "not saving." The reference category was the "not saving" response.

Planning horizon was measured by the question, "In planning your family's saving and spending, which of the following time periods is most important to you?" The possible responses were "the next few months," "next year," "next few years," "next 5-10 years," or "longer than 10 years." Each response was coded as a dichotomous variable with "next few months" used as the reference category.

Subjective norms were measured by age, race, and marital status. The term *subjective norm* is defined as individuals choosing to behave in a way that is typical of a certain group such as those of their same age, race, or marital status. Age was measured by the parameters of the four cohorts: the Swing cohort, Older Baby Boomers, Younger Baby Boomers, and Generation X and Y. The Older Baby Boomers were the reference group. Race was coded as 1 if the head of household was white and zero if the head of household was nonwhite. Similarly, regarding marital status, respondents who were married were coded 1, and those who were never married, divorced or separated, or widowed were coded zero.

Perceived control was measured by years of education, presence of children aged 18 years old or younger, household income, and self-employment. The term *perceived control* is defined as the factors over which the individual has control, such as the level of education that they attain or the number of children that they have. Education and income were continuous variables. Households that had children aged 18 years or younger were coded 1, while those without children in that age range were coded zero. Self-employment was coded 1 if the respondent was self-employed and zero if not.

Past experience in regard to savings behavior was measured by home ownership, financial assets, nonfinancial assets, and a question about the relationship of spending to income. Financial assets included all types of financial investments except retirement funds. Nonfinancial assets included the value of vehicles, residences, investment real estate, and equity in businesses. Spending relative to income was measured by the question, "Over the past year, would you say that your spending exceeded your family's income, that it was about the same as your [family's] income, or that you spent less than your [family's] income?" Each response was coded as a dichotomous variable. Spending equal to income was the reference category. (See table 2 for the coding of variables.)

## Results

***Descriptive statistics.*** There was at least one retirement account in 57 percent of the households. The average or mean amount in the retirement accounts was $49,944, but the standard deviation was $174,193, suggesting that the dollar amount held in retirement accounts varies widely by individual households. The median amount held in retirement accounts--$2,000--provides another indication of the wide variation in the amounts held by households. (See table 3.)

***Attitudinal variables.*** About 34 percent of households preferred not to take any risk when saving or investing, while 39 percent would take average risk, and 27 percent would take above average or substantial risk. Three-fourths of the sample reported that they saved using at least one of the saving methods described in the survey. The responses for time preference suggested that the households were more likely to prefer a longer period such as 5 to 10 years.

***Subjective norms.*** Of the four cohorts, the Swing cohort was the smallest, representing just 14 percent of households. One reason is that the members of this cohort are older, by definition, and some of the respondents had already retired and thus were not included in the sample. Seventy-three percent of the household heads in the sample were white, and 53 percent were married.

***Perceived control.*** On average, respondents had completed about 13½ years of education. Forty-six percent of the households had children aged 18 years or younger living in the home. Thirteen percent of the heads of household were self-employed. The average or mean household income of the sample was $72,673; the median household income was $44,000.

***Past experience.*** Fifty-six percent of the households were homeowners. The average amount of financial assets was $101,518, and the average amount of nonfinancial assets was $250,590. Forty-four percent claimed that they had spent less than their income in the previous year, while 19 percent indicated that they had spent more than their income, and 37 percent reported that they had spent an amount equal to their income.

## Analysis

Prior to conducting the regression analyses, Chi-square tests were used to determine if there was a relationship among the categorical variables and the cohorts, and Analysis of Variance (ANOVA) was used to compare the means of the continuous variables by cohorts.[21] However, Chi-square tests and Analysis of Variance consider the effect of only one variable at a time while the regression analyses consider the effect of all of the variables simultaneously. Table 4 shows the results of the Chi-square tests, and table 5 shows the ANOVA results.

Older Baby Boomers were a little more likely to have a retirement account than the other cohorts. The heads of households in the Older Boomer cohort and in the Swing cohort were more likely to hold average or above average risk tolerance than younger Boomers and Generation X and Y. Older Boomers also were the most likely cohort to report that they are savers. Both Older and Younger Boomers had a high preference for the longest time horizon

for saving. Generation X and Y were most likely to prefer the shortest time horizon which was the next few months to a year.

The Swing Cohort was more likely than the other cohorts to have a head of household who is white. The Younger Boomers were most likely to have children 18 years or younger living at home. Heads of households in the Swing cohort were more likely to be self-employed. Members of Generation X and Y and the Swing cohort were more likely to report that they spend less than their total income. Three-fourths of both the Older Boomers and the Swing cohort were homeowners, while only 30 percent of Generation X and Y were homeowners.

The ANOVA results revealed that all of the cohorts differed significantly on the total amount in their retirement accounts. Households in the Swing cohort had the largest amount in retirement savings, but it was only $14,000 more, on average, than the amount of the Older Boomers' retirement savings. Households in the Older Boomer cohort had twice as much in their retirement accounts, on average, as the Younger Boomers. Older Boomers had attained the highest level of education. Household income was highest for the Older Boomers and lowest for the Generation X and Y cohort. The amount of financial assets was highest for the Swing cohort and lowest for the Generation X and Y cohort. Nonfinancial assets were also highest for the Swing cohort and lowest for the Generation X and Y cohort.

**Logistic regression results for likelihood of having an account.** When all of the factors were considered simultaneously using logistic regression, the following factors affecting the likelihood of holding a retirement account were statistically significant: risk tolerance, being a saver, planning horizon, age cohort, race, marital status, education, self-employment, spending behavior, and being a homeowner. (See table 6.) Heads of households with more tolerance for risk were more likely to hold a retirement account, as were those who reported that they saved. Those who preferred longer planning horizons (5 to 10 years and more than 10 years) were more likely to hold a retirement account. The Generation X and Y cohort were less likely to hold retirement accounts than the Older Boomer cohort.

White heads of households and those who are married were more likely to hold a retirement account than households with a nonwhite head or those in which the head is not married. Homeowners were more likely to hold retirement accounts than renters. Those who reported that they spent less than their income were more likely to hold a retirement account than those who said that they spent an amount equal to their income. Self-employed heads of households were less likely to hold a retirement account than those who were wage and salary workers. Self-employed persons are often less likely to save for retirement in tax-deferred savings options because they prefer to have access to their assets for their business. Some business owners intend to sell their businesses in order to retire.[22]

**Tobit regression results for amount saved in retirement accounts.** The final step in the analysis was to examine the relationship between the independent variables and the amount of retirement savings. The amount in retirement savings was larger for those who were willing to take risk, those who saved, those with planning horizons of 5 to 10 years, those who were married household heads, and those with more education. Compared with the Older Boomer cohort, the Generation X and Y cohort and the Younger Boomers had less in retirement savings and the Swing cohort had more in retirement savings. Those who reported

that they spent less than their income had more in retirement savings than those who reported that they spent an amount equal to their income, and homeowners had more in retirement savings than renters. The amount in financial assets and the amount in nonfinancial assets were both positively related to the amount in retirement accounts.

## Discussion and Implications

The results of the Chi-square test showed that each succeeding cohort was more likely than the previous cohort to hold some type of retirement account. Generation X and Y were least likely to hold a retirement account, while the Swing cohort was most likely to hold a retirement account (45 percent compared with 73 percent). However, the logistic regression showed that when all of the factors were considered simultaneously, there was no statistical difference between the Younger and Older Boomers and the Swing cohort on the likelihood of holding a retirement account. Nevertheless, the results of the tobit regression showed that the amount of retirement savings was significantly different for the cohorts. The Younger Boomers and Generation X and Y had smaller amounts saved for retirement than the Older Boomers, but the Swing cohort had more saved than the Older Boomers. Hence, the life-cycle hypothesis that household savings tends to increase with age was supported.

The findings also support the theory of planned behavior. Retirement savings behavior was shown to be influenced by attitude, subjective norms, perceived control, and past experience. Increased tolerance for risk when saving or investing, reporting being a saver, being married, more education, being a homeowner, and reporting spending less than income were significantly related to both dependent variables--holding a retirement account and the amount saved for retirement.

This study examined the retirement savings behavior of baby boomers compared with that of other age cohorts. It found that obtaining more education, being more willing to accept risk, and enhancing past savings behavior were among the factors that were most influential in having a larger amount saved for retirement. In this study, income was marginally significant ($p = .0805$) in predicting the amount saved for retirement. This shows that, as hypothesized, income was positively related to the amount of retirement savings. Future studies might examine income in more detail, such as by using income quartiles. Another possibility for future studies would be to look at attitudes toward the use of credit and their influence on retirement savings behavior.

**Sharon A. DeVaney, Ph.D.**
Professor of Family and Consumer Economics, Department of Consumer Sciences and Retailing, Purdue University.

**Sophia T. Chiremba**
Ph.D. candidate, Department of Consumer Sciences and Retailing, Purdue University.

NOTE: This is a revised version of an article that originally was published in January 2005. This version corrects table 4. The heading for the second row of table 4 was corrected; it now says, "Not holding an account." In addition, the values in the second column ("Generations X and Y") of the eighth and ninth rows ("Saver" and "Not a saver") have been corrected.

## Notes

1 AARP, *Baby Boomers Envision Retirement II: Survey of Baby Boomers' Expectations for Retirement* (Washington, DC, AARP, May 2004); available on the Internet at http://research.aarp.org/econ/boomers_envision.pdf.

2 Cheryl Russell, *The Master Trend: How the Baby Boom Generation is Remaking America* (New York, Plenum Press, 1993).

3 Scott A. Bass, "Emergence of the Third Age: Toward a Productive Aging Society," in Francis G. Caro, Robert Morris, and Jill R. Norton, eds., *Advancing Aging Policy as the 21st Century Begins* (New York, Haworth Press, 2000).

4 Teresa A. Sullivan, Elizabeth Warren, and J. Lawrence Westbrook, *The Fragile Middle Class: Americans in Debt.* (New Haven, CT, Yale University Press, 2000).

5 Sophie M. Korczyk, "Baby Boomers Head for Retirement," *Journal of Financial Planning*, March 2001, pp. 116-23.

6 Albert Ando and Franco Modigliani, "The Life Cycle Hypothesis of Saving: Aggregate Implications and Tests," *American Economic Review*, March 1963, pp. 55-84.

7 Icek Ajzen, "From intentions to actions: A theory of planned behavior," in Julius Kuhl and Jürgen Beckmann, eds., *Action-control: From Cognition to Behavior* (Heidelberg, Germany, Springer, 1985) pp. 22-39; and Icek Ajzen, "The Theory of Planned Behavior," in Edwin A. Locke, ed., *Organizational Behavior and Human Decision Processes*, Volume 50, 1991, pp. 179-211.

8 Karl-Erik Warneryd, *The Psychology of Saving: A Study on Economic Psychology*, (Cheltenham, UK, Edward Elgar Publishing, 1999).

9 See Sharon A. DeVaney and Ya-ping Su, "Factors Predicting the Most Important Source of Retirement Income," *Compensation and Working Conditions*, Fall 1997, pp. 25-31.

10 See, for example, Sharon A. DeVaney and T. Catherine Zhang, "A Cohort Analysis of the Amount in Defined Contribution and Individual Retirement Accounts," *Financial Counseling and Planning*, Volume 12, Issue 1, 2001, pp. 89-102; and Zhan Chen and Sharon A. DeVaney, "What Factors Affect the Household Net Worth of Employees and Business Owners?" *Financial Services Review*, Volume 11, Number 4, 2002, pp. 381-91.

11 See Sharon A. DeVaney and Ya-ping Su, "Gender Differences in Retirement Planning Knowledge," *Personal Finances and Worker Productivity*, Volume 1, Issue 1, 1997, pp. 160-71.

12 Rachel Christensen, "Value of Benefits Constant in a Changing World: Findings from the EBRI/MGA Value of Benefits Survey," *EBRI Notes*, March 2002, pp. 1-3.

13 Geoffrey Meredith and Charles Schewe, "The Power of Cohorts," *American Demographics*, December 1994, pp. 22-31.

14 This study follows others in separating the baby boomers into an older and a younger cohort. These studies tend to use the end of the Vietnam War as the break point. Although the United States officially ended its involvement in the conflict in 1975, baby boomers born after 1954 were much less likely to have participated in the war or otherwise to have been affected in the same way as those born in 1954 or earlier.

15 Maurice J. Johnson and Evelyn C. Moore, *Apparel Product Development*, 2nd ed. (Englewood Cliffs, NJ, Prentice Hall, 2001.)

16 William Strauss and Neil Howe, *Generations: The History of America's Future, 1584 to 2069*. (New York, William Morrow, 1991); and Walker J. Smith and Ann Clurman, *Rocking the Ages* (New York, Harper Collins, 1997).

17 Susan Mitchell, *Amercan Generations: Who They Are, How They Live, What They Think*, 2nd ed. (Ithaca, NY, New Strategist, 1998).

18 Arthur B. Kennickell, *Codebook for 2001 Survey of Consumer Finances*, 2003, (Washington, DC, Board of Governors of the Federal Reserve System, 2003).

19 For more information on logistic regression techniques, see Paul D. Allison, *Logistic Regression: Using the SAS System: Theory and Application*. (Cary, NC, SAS Institute and Wiley, 2001.)

20 For more information on tobit regression techniques, see Peter Kennedy, *A Guide to Econometrics*, 4th ed. (Cambridge, MA, MIT Press, 1998).

21 For more information on the ANOVA technique, see John Neter, William Wasserman, and Michael H. Kutner, *Applied Linear Regression Models*, 2nd ed. (Homewood, IL, Irwin, 1989).

22 Sharon A. DeVaney, Deanna L. Sharpe, Constance Y. Kratzer, and Ya-ping Su. "Retirement Preparation of the Nonfarm Self-Employed," *Financial Counseling and Planning*, Vol. 9, No. 1, 1998, pp. 53-59.

**Table 1. Selected Characteristics of the Cohorts**

| Characteristic | Swing Cohort | Older Boomers | Younger Boomers | Generations X and Y |
|---|---|---|---|---|
| Years born | 1928 to 1945 | 1946 to 1954 | 1955 to 1964 | 1965 to 1987 |
| State of economy | Great Depression, followed by unprecedented growth | Post-World War II prosperity | Continued postwar prosperity | Downsizing, prosperity, and bust |
| Cohort experience | Post-World War II era | Vietnam War | Cold War | High technology |
| Core values | Adaptive personality | Idealistic, individuality | Personal fulfillment | Pessimistic, diversity, globalization |
| Buying habits | Quality for price | Spenders, brand loyal | Debt is part of their | Skeptical consumers, products that are |

| | | | lifestyle | "cool" | |
|---|---|---|---|---|---|

**Table 2. Coding of Variables**

| Variables | Coding |
|---|---|
| **Dependent variables:** | |
| **Holding one or more retirement accounts** | 1 if yes; 0 if otherwise |
| **Dollar amount in retirement account** | Continuous |
| **Independent variables:** | |
| ***Attitudinal variables*:** | |
| **Risk tolerance in making savings and investment decisions:** | |
| **No financial risk (reference group)** | 1 if yes, 0 otherwise |
| **Average financial risk** | 1 if yes, 0 otherwise |
| **Above average financial risk** | 1 if yes, 0 otherwise |
| **High risk** | 1 if yes, 0 otherwise |
| **Saver** | 1 if yes, 0 otherwise |
| **Time plan for saving:** | |
| **Few months or less than a year (reference group)** | 1 if yes, 0 otherwise |
| **Next year** | 1 if yes, 0 otherwise |
| **Next few years** | 1 if yes, 0 otherwise |
| **5 to 10 years** | 1 if yes, 0 otherwise |
| **Longer than 10 years** | 1 if yes, 0 otherwise |
| ***Subjective norms*:** | |
| **Age:** | |
| **Generations X and Y: 18 to 35 years** | 1 if yes, 0 otherwise |
| **Younger Boomers: 36 to 46 years** | 1 if yes, 0 otherwise |
| **Older Boomers: 47 to 55 years (reference group)** | 1 if yes, 0 otherwise |
| **Swing Cohort: 56 to 73 years** | 1 if yes, 0 otherwise |
| **Others:** | |
| **White (reference group: nonwhite)** | 1 if yes, 0 otherwise |
| **Married (reference group: nonmarried)** | 1 if yes, 0 otherwise |
| ***Perceived control*:** | |
| **Educational attainment (in years)** | Continuous |
| **Presence of children (reference group: no children)** | 1 if yes, 0 otherwise |
| **Self-employment (reference group: not self-employed)** | 1 if yes, 0 otherwise |
| **Household income** | Continuous |
| ***Past savings behavior*:** | |
| **Spending more than income** | 1 if yes, 0 otherwise |
| **Spending equal to income (reference group)** | 1 if yes, 0 otherwise |
| **Spending less than income** | 1 if yes, 0 otherwise |
| **Home ownership (reference group: not a homeowner)** | 1 if yes, 0 otherwise |

| Financial assets | Continuous |
|---|---|
| Nonfinancial assets | Continuous |

**Table 3. Weighted Descriptive Statistics for Nonretired Households with Heads Aged 70 Years or Younger in the 2001 Survey of Consumer Finances (*N* = 3,428)**

| Variables | Mean | Median | Standard Deviation | Frequency (in percent) |
|---|---|---|---|---|
| Dependent variables: | | | | |
| Holding one or more retirement accounts | - | - | - | 57.3 |
| Dollar amount in retirement account | $49,944.82 | $2,000.00 | $174,193.94 | - |
| Independent variables: | | | | |
| *Attitudinal variables*: | | | | |
| Risk tolerance: | | | | |
| No financial risk (reference group) | - | - | - | 34.2 |
| Average financial risk | - | - | - | 39.1 |
| Above average financial risk | - | - | - | 21.2 |
| High risk | - | - | - | 5.4 |
| Saver | - | - | - | 78.5 |
| Time plan for saving: | | | | |
| Few months or less than a year (reference group) | - | - | - | 17.7 |
| Next year | - | - | - | 11.3 |
| Next few years | - | - | - | 26.2 |
| 5 to 10 years | - | - | - | 25.6 |
| Longer than 10 years | - | - | - | 19.1 |
| *Subjective norms*: | | | | |
| Age: | | | | |
| Generations X and Y: 18 to 35 years | - | - | - | 31.0 |
| Younger Boomers: 36 to 46 years | - | - | - | 31.8 |
| Older Boomers: 47 to 55 years (reference group) | - | - | - | 23.3 |
| Swing Cohort: 56 to 73 years | - | - | - | 13.9 |
| Others: | | | | |
| White (reference group: nonwhite) | - | - | - | 73.4 |
| Married (reference group: nonmarried) | - | - | - | 53.1 |
| *Perceived control*: | | | | |
| Educational attainment (in years) | 13.4 | 13.0 | 2.7 | - |

| | | | | |
|---|---|---|---|---|
| **Presence of children (reference group: no children)** | - | - | - | 46.1 |
| **Self-employment (reference group: not self-employed)** | - | - | - | 13.3 |
| **Household income** | $72,673.51 | $44,000.00 | $222,653.46 | - |
| *Past savings behavior:* | | | | |
| **Spending more than income** | - | - | - | 19.0 |
| **Spending equal to income (reference group)** | - | - | - | 36.9 |
| **Spending less than income** | - | - | - | 44.2 |
| **Home ownership (reference group: not a homeowner)** | - | - | - | 56.0 |
| **Financial assets** | $101,518.85 | $7,100.00 | $807,102.23 | - |
| **Nonfinancial assets** | $250,590.79 | $92,050.00 | $1,344,471.00 | - |
| NOTE: Dashes indicate "not applicable." | | | | |

**Table 4. Chi-Square Analysis of Age Group and Selected Characteristics of Nonretired Households in the 2001 Survey of Consumer Finances ($N = 3,428$) [In percent]**

| Variable | Generations X and Y | Younger Boomers | Older Boomers | Swing Cohort | P-value |
|---|---|---|---|---|---|
| **Holding one or more retirement accounts** | 45.38 | 66.41 | 72.92 | 68.93 | < 0.0001 |
| **Not holding an account** | 54.62 | 33.59 | 27.08 | 31.07 | |
| **Risk tolerance:** | | | | | 0.0007 |
| **No financial risk** | 33.65 | 27.13 | 25.66 | 25.24 | |
| **Average financial risk** | 36.49 | 38.61 | 43.86 | 44.17 | |
| **Above average financial risk** | 22.75 | 27.32 | 25.11 | 24.11 | |
| **High risk** | 7.11 | 6.93 | 5.37 | 6.47 | |
| **Saver** | 73.70 | 83.49 | 87.28 | 84.95 | < 0.0001 |
| **Not a saver** | 26.30 | 16.51 | 12.72 | 15.05 | |
| **Time plan for saving:** | | | | | < 0.0001 |
| **Few months or less than a year** | 21.56 | 14.61 | 12.83 | 9.06 | |
| **Next year** | 15.64 | 8.54 | 7.89 | 7.93 | |
| **Next few years** | 28.32 | 23.72 | 21.60 | 25.73 | |
| **5 to 10 years** | 18.25 | 27.99 | 31.36 | 38.51 | |
| **Longer than 10 years** | 16.23 | 25.14 | 26.32 | 18.77 | |
| **White** | 68.25 | 77.89 | 81.36 | 86.25 | < 0.0001 |
| **Nonwhite** | 31.75 | 22.11 | 18.64 | 13.75 | |
| **Married** | 39.81 | 63.85 | 67.54 | 69.74 | < 0.0001 |

| | | | | | |
|---|---|---|---|---|---|
| **Not married** | 60.19 | 36.15 | 32.46 | 30.26 | |
| **Presence of children** | 50.47 | 67.65 | 44.63 | 10.19 | < 0.0001 |
| **No children** | 49.53 | 32.35 | 55.37 | 89.81 | |
| **Self-employed** | 8.65 | 26.57 | 33.88 | 47.73 | < 0.0001 |
| **Not self-employed** | 91.35 | 73.43 | 66.12 | 52.27 | |
| **Spending exceeds income** | 22.04 | 17.55 | 12.94 | 12.78 | < 0.0001 |
| **Spending equal to income** | 41.11 | 31.02 | 27.85 | 23.79 | |
| **Spending less than income** | 36.85 | 51.42 | 59.21 | 63.43 | |
| **Homeowner** | 29.74 | 64.23 | 74.89 | 75.57 | < 0.0001 |
| **Not a homeowner** | 70.26 | 35.77 | 25.11 | 24.43 | < 0.0001 |

**Table 5. Results of Analysis of Variance (ANOVA) Comparing the Means of Selected Characteristics by Age Group of Nonretired Households in the 2001 Survey of Consumer Finances ($N$ = 3,428)**

| Variable | Generations X and Y (a) | Younger Boomers (b) | Older Boomers (c) | Swing Cohort (d) | F-test P-value |
|---|---|---|---|---|---|
| **Amount held in retirement account (ab, ac, ad, bc, bd, cd)** | $8,791.98 | $45,954.21 | $82,682.83 | $96,176.05 | <.0001 |
| **Educational attainment, in years (ac, ab, ad, bc)** | 13.2 | 13.6 | 13.8 | 12.8 | <.0001 |
| **Household income (ab, ac, ad, bc, bd, cd)** | $44,295.22 | $76,956.31 | $96,199.76 | $86,835.51 | <.0001 |
| **Financial assets (ac, ad, bc, bd)** | $35,983.29 | $72,080.81 | $160,370.84 | $216,794.26 | <.0001 |
| **Nonfinancial assets (ac, ad, bc, bd, cd)** | $94,241.93 | $235,994.62 | $347,121.69 | $471,615.20 | <.0001 |
| NOTE: The pairs of letters a, b, c, d represent the means of the age cohorts that are significantly different from each other at the 0.05-percent confidence level. For example, for the amount in retirement accounts, the letters ab show that the average amount in retirement accounts held by the members of Generations X and Y is significantly different from that of Younger Boomers. | | | | | |

**Table 6. Results of Logistic Regression for Holding One or More Retirement Accounts and Tobit Regression for the Amount Held in Retirement Account(s) for Nonretired Households in the 2001 Survey of Consumer Finances**

| | | | |
|---|---|---|---|
| | | | |

| Independent variables | Holding retirement account | | | Amount in account | |
|---|---|---|---|---|---|
| | Parameter estimate | Pr > Chi-square | Odds ratio | Parameter estimate | Pr > Chi-square |
| No financial risk (reference group) | - | - | - | - | - |
| Average financial risk | 1.0013 | <.0001*** | 2.722 | 256,511.90 | <.0001*** |
| Above average financial risk | 1.3713 | <.0001*** | 3.941 | 303,612.20 | <.0001*** |
| High risk | 1.1799 | <.0001*** | 3.254 | 321,276.00 | <.0001*** |
| Saver (reference group: not a saver) | 0.6095 | <.0001*** | 1.840 | 100,759.90 | 0.0247* |
| Horizon (reference group: few months to a year) | - | - | - | - | - |
| Next year | -0.0276 | 0.8692 | 0.973 | 52,158.40 | 0.3871 |
| Next few years | 0.1938 | 0.1598 | 1.214 | 23,614.38 | 0.629 |
| 5 to 10 years | 0.3789 | 0.0070** | 1.461 | 109,303.20 | 0.0239* |
| Longer than 10 years | 0.3424 | 0.0238* | 1.408 | 75,977.82 | 0.1323 |
| Older Boomers (reference group) | - | - | - | - | - |
| Generations X and Y | -0.5379 | <.0001 | 0.584 | –170,491.00 | <.0001*** |
| Younger Boomers | -0.1888 | 0.1257 | 0.828 | –110,204.00 | 0.0024* |
| Swing Cohort | -0.1524 | 0.2904 | 0.859 | 200,361.30 | <.0001*** |
| White (reference group: nonwhite) | 0.2737 | 0.0109* | 1.315 | 72,858.97 | 0.0548 |
| Married (reference group: not married) | 0.4159 | <.0001*** | 1.516 | 110,994.00 | 0.0009*** |
| Education | 0.197 | <.0001*** | 1.218 | 65,285.83 | <.0001*** |
| Presence of children (reference group: no children) | 0.1815 | 0.0757 | 1.199 | 42,851.69 | 0.1835 |
| Self-employed (reference group: not self-employed) | -0.4046 | 0.0004*** | 0.667 | –17,958.60 | 0.5821 |
| Household income | 5.30E-08 | 0.2332 | 1.000 | 0.0151 | 0.0805 |
| Spending exceeds income | 0.0135 | 0.9141 | 1.014 | 20,209.15 | 0.6456 |
| Spending equal to income (reference group) | - | - | - | - | - |
| Spending less than income | 0.4597 | <.0001*** | 1.584 | 136,644.00 | <.0001*** |
| Homeowner (reference group: not a homeowner) | 0.8962 | <.0001*** | 2.450 | 183,083.30 | <.0001*** |
| Financial assets | -7.15E-09 | 0.0627 | 1.000 | 0.0031 | 0.0088** |
| Nonfinancial assets | -1.18E-09 | 0.7096 | 1.000 | 0.0103 | <.0001*** |

NOTE: * p < .05; ** p < .01; *** p < .001; dashes indicate "not applicable."

Source: Bureau of Labor Statistics

**News**

**CLOSE ✖**

Merrill Lynch & Co. Inc.
World Headquarters
4 World Financial Center
New York, NY 10080

---

**Release Date:**     May 18, 2006

🖨 Print

**Contact:**
Jennifer Grigas 212.449.3260
jennifer_grigas@ml.com

## NEW MERRILL LYNCH RETIREMENT STUDY REVEALS AMERICANS AND THEIR EMPLOYERS DON'T SEE EYE TO EYE

**NEITHER INDIVIDUALS NOR EMPLOYERS ARE WELL PREPARED FOR THE "NEW RETIREMENT"**

**NEW YORK, May 18, 2006** — Merrill Lynch (**NYSE: MER**) today announced the findings of a groundbreaking study that uncovers a startling disconnect between how Americans and their employers view retirement. *The Merrill Lynch New Retirement Study* — a one-of-a-kind study that surveyed both individuals and employers — reveals that while many people are actually working in retirement or have taken steps for a new retirement career, most employers are not on track to prepare for this phenomenon.

Conducted for Merrill Lynch by Harris Interactive®, the study builds on the findings of the *2005 Merrill Lynch New Retirement Survey*, which discovered that 76 percent of all baby boomers had no intention of seeking a "traditional" retirement. The scope of people surveyed in the 2006 study was expanded considerably to include feedback from U.S. companies as well as a broad spectrum of individuals.

**Related Info**
The 2006 Merrill Lynch New Retirement Study

"Not only is the new model of retirement here, but it transcends many different age groups," said **Michael Falcon**, head of the Retirement Group at Merrill Lynch. "Multiple generations report cycling in and out of work and pursuing a new career in later life as the retirement ideal. This important study shows us that companies need to be aware of this new concept of retirement in order to prepare for the new work force realities."

The study sheds a revealing light on this changing model of retirement and the potential for a growing gap between employers and employees. It's the first of its kind – offering a comprehensive look into the retirement landscape from both sides of the coin.

By creating the study, Merrill Lynch is able to share the retirement concerns of different generations, assess potential work force shortages and retirement readiness as well as gauge the visibility of these issues in today's marketplace. Key findings include:

- **The New "Retirement Career."** The ideal retirement for 71 percent of adults surveyed is to work in some capacity. In fact, almost half of all adults who do plan to work during retirement, do not plan to ever stop working completely. Among those who expect to work in retirement and eventually stop, the average tenure of their "retirement career" is over nine years and the average age at which they stop working completely is over 70.

- **Working equals longevity in the New Retirement.** Among all of the individuals surveyed, the most frequently cited reason for working during retirement was to stay mentally and physically active. As life expectancy increases, both current and future generations of retirees plan to use their longevity bonus to create a freedom-filled and fulfilling "new retirement." Concerns about health insurance and financial realities were also cited.

- **Gaining control over debt.** Paying down debt was ranked as the single most important thing to do toward securing a financial future in the coming year (33 percent), followed by saving more (21 percent). More than half (53 percent) of the individuals surveyed were concerned about the amount of debt in their households, yet most (63 percent) expected to have less debt when they retired and expected to be eventually debt-free (74 percent).

- **Rejecting pre-retirement rigidity and seeking out new opportunities.** When asked about their ideal work arrangement during retirement, the most popular option was "cycling" between periods of work and leisure. More than half of the adults surveyed would like to change their line of work and have already taken steps to plan for this new career by attending classes or training sessions and researching other careers.

- **Boomers want to give back** and prefer to pursue "retirement careers" where they can share or pass on knowledge to others such as consulting and teaching. Volunteering was also ranked very highly. Despite concerns over ageism in the workplace, only one-fourth of individuals over age 60 said they had difficulty finding work if they wanted to.

- **Working and retired.** Those who are in the midst of their "retirement career" are more satisfied than those who are retired and not working. In addition, working retirees are less likely to fear not being able to afford healthcare and feel they have less debt.

- **Are you ready?** Less than one-third of individuals who are not already retired, feel adequately prepared for their retirement. However, three-quarters of boomers feel healthier, are more open to taking on new challenges and believe their work prospects are better than when their parents' generation turned 60.

- **Companies are not completely in the dark,** and while they recognize the shift toward the desire to work in retirement, they are more likely to assume that employees want to work a regular part-time schedule than to cycle between periods of work and leisure. They also have not responded to individuals' overwhelming desire to pursue a completely new line of work in their "new retirement."

- **Highly skilled professionals are the most valued and most at risk for a shortage.** However, many companies are not responding to this threat. Only one in four employers said that they are on track with preparing for the boomer outflow from the workforce and almost one-third (31 percent) say there has not been much thought about it. Employers who have taken steps to prepare for future labor shortages focus on recruitment, but tend to focus on younger workers, not recruitment and retention of older, skilled workers.

- **Concerns over the increasing cost of benefit programs** rank as the most pressing human resource and benefits issue that employers are facing. Well over half (65 percent) of the companies surveyed considered this a very serious issue — almost 10 times as many as those companies that considered retaining older workers as a serious problem (7 percent).

- **The bottom line — competitive and economic** pressures continue to be the primary driving factors behind corporate benefit decisions and greatly outweigh concerns about work force shortages. Until personnel shortages hit the bottom line, there is little impetus for action. Forty percent of the companies surveyed reported that the wave of retiring boomers retiring is not an important priority at the HR level or at the senior management level.

- **The common denominator.** Like their employees, most companies do not believe that the majority of workers are well prepared for retirement. While the new retirement is on most company radar screens, the challenges that it brings have not been adequately addressed.

**Rethinking Conventional Approaches to Retirement — The Individual and Employer**

As individuals continue to reject traditional retirement and the wave of people seeking "retirement careers" comes crashing in, some companies have already begun to embrace the changes ahead. Those leading the pack realize first and foremost the importance of attracting and retaining older and talented workers.

One of the most notable findings of the *Merrill Lynch New Retirement Study* is that awareness, recognition, understanding and a willingness to address the issues head-on is what is necessary for companies to manage boomer outflow and to be prepared for the next generations of "career retirees." "The pioneers on the employment front are those companies that have already realized that the 'new retirement' is here," said **Cynthia Hayes**, head of Employer Plan Solutions at Merrill Lynch. "By permitting telecommuting and more flexible schedules, providing coaching and mentoring services, as well as offering increased access to health insurance, these companies have demonstrated that they are already thinking about the new approaches they can take to leverage a very valuable work force segment that still has the desire to work."

**A New Twist — The Gender Divide**

Merrill Lynch also unveiled today the results of another interesting component of the study — the Couple's Survey — which focuses on how the two genders view retirement. "When people are thinking about their retirement dreams and goals, there is often someone else who is figuring into their plan," said Ms. Hayes. "And although most married couples agree that they would like to continue working, they often have very different views about their ideal retirement plan."

While about two-thirds of spouses report common goals, over one-fourth report not having ever discussed several key retirement considerations — and men and women don't even agree on this. Husbands were significantly more likely to say they share common goals with their wives, while women were more apt to say they haven't ever discussed the issue. One third of the spouses surveyed disagree about whether or not they have a viable financial plan. "This segment of our survey is important because it reflects the potential disconnects among married couples when it comes to their attitudes and expectations about retirement; it underscores need for couples to communicate their views and plan their retirement together," added Ms. Hayes.

**Survey Methodology**

Harris Interactive conducted interviews online for the individual component of *The Merrill Lynch New Retirement Study* between December 1 and 19, 2005. A nationwide crossection of 5,111 adults were surveyed, of whom 523 were in the age range of 25 to 40; 2753 in the age range of 41 to 59 and 1,835 in the age range of 60 to 70. Additional sample groups surveyed online include "Affluent" aged 25 to 70, "Local Markets" aged 41 to 70 and 613 sets of "Spouses" aged 25 to 70.

Over 1,000 U. S. companies with 100 employees or more participated in telephone interviews conducted by Harris Interactive between January 4 and February 3, 2006, for the "employer component" of the study. Of the companies surveyed, 250 were Merrill Lynch clients and 751 were National Random Sample companies. Data were weighted to ensure that each quota group had a representative sample based on the number of employees working in each size range and industry.

**More About *The Merrill Lynch New Retirement Study***

*The Merrill Lynch New Retirement Study* was produced with the help of Harris Interactive in an effort to better understand the retirement expectations and preparedness of both individuals and employers. By building on the findings of the 2005 New Retirement, this new study allows us to recognize the New Retirement realities and expectations of a broad segment of the population and American Corporations. The results of this major research effort are an important step in Merrill Lynch's ongoing, long-term commitment to their individual and institutional clients.

**About Merrill Lynch**

Merrill Lynch is one of the world's leading wealth management, capital markets and advisory companies, with offices in 36 countries and territories and total client assets of approximately $1.8 trillion. As an investment bank, it is a leading global trader and underwriter of securities and derivatives across a broad range of asset classes and serves as a strategic advisor to corporations, governments, institutions and individuals worldwide. Through Merrill Lynch Investment Managers, the company is one of the world's largest managers of financial assets. Firmwide, assets under management total $581 billion. For more information on Merrill Lynch, please visit www.ml.com.

**About Harris Interactive® Inc.**

Harris Interactive Inc. (www.harrisinteractive.com), based in Rochester, New York, is the 13th largest and the fastest-growing market research firm in the world, most widely known for The Harris Poll® and for its pioneering leadership in the online market research industry. Long recognized by its clients for delivering insights that enable confident business decisions, the Company blends the science of innovative research with the art of strategic consulting to deliver knowledge that leads to measurable and enduring value. Harris Interactive serves clients worldwide through its United States, Europe (www.harrisinteractive.com/europe) and Asia offices, its whollyowned subsidiary Novatris in Paris, France (www.novatris.com), and through an independent global network of affiliate market research companies.

**Note to Editors/Reporters**

For more information about this survey, or to obtain a copy of the full set of findings, please visit www.totalmerrill.com/retirement.

http://www.ml.com/index.asp?id=7695_7696_8149_63464_66281_66480